

APR 01 1991

Dear Sir or Madam:

We have completed our consideration of your application for recognition of tax-exempt status under section 501(c)(6) of the Internal Revenue Code.

The information submitted indicates that you were incorporated in the State of [REDACTED] on [REDACTED]. According to your Articles, your purpose is to "promote, encourage and foster the development and exchange of ideas and strategies among its members to improve and strengthen the marketing and advertising efforts of its members in connection with their operation of [REDACTED] franchises".

According to your Bylaws, the membership of your organization shall consist of [REDACTED] and all of the franchisees of [REDACTED]. Also, your Bylaws states that your organization has been formed to assist in managing the advertising fund activated by [REDACTED].

Your primary activity is to formulate, develop and conduct advertising and promotional programs for the benefit of all [REDACTED]. This is achieved through the following:

- The printing and distribution of brochures, pamphlets, and other printed matter advertising [REDACTED]
- Trade show booths are made available to members.
- The design of billboards for use by members.
- The production of television and radio ads.
- Telemarketing lead generation - [REDACTED], a telemarketing company, was contracted to provide leads for your member franchisees.

The member franchisees must pay dues equal to [REDACTED] percent of their gross sales.

A newsletter called [REDACTED] is published and distributed to your member franchisees. It contains information on recent board meetings, upcoming meetings and conventions, a directory of [REDACTED] stores, and a listing of the top sellers.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname		[REDACTED]					
Date		4/1/91					

[REDACTED]

In your letter of [REDACTED], you stated, "It is our understanding that this type of advertising trust account has been upheld as tax exempt by the courts in a number of decision; Frank and Freda Schochet, Trustees of Insty-Prints, Inc. National Advertising Trust Fund v. Commissioner of Internal Revenue, Insty-Prints National Advertising Trust v. Commissioner, T.C. Memo. 1982-416 (1982); Ford Dealers Advertising Fund, Inc. v. Commissioner, 55 T.C. 761 (1971) affd. per curiam 456 F 2d 255 (5th Cir. 1972); Seven-Up Company v. Commissioner, 14 T.C. 965 (1950); Greater Pittsburg Chrysler Dealers Association of Western Pennsylvania v. United States, 39 AFTR 2d 77-1088 (D.C.Pa., 1977).

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real estate boards, boards of trade, ***, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of the regulations provides as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league. *** "

In American Automobile Association v. Commissioner, 19 T.C. 1146 (1953), the American Automobile Association was found out to be exempt as a business league under section 501(c)(6). This is a national association composed of individual automobile owners and affiliated auto clubs. Its principal activities were determined to consist of securing benefits and performing particular services for members.

In National Muffler Dealers Association v. U.S., 440 U.S. 472 (1979), the Court held that an association of a particular brand name of muffler dealers does not qualify for exemption because the association is not engaged in the improvement of business conditions of a line of business.

Revenue Ruling 64-315, 1964-2, C.B. 147, involves an association of merchants whose business constitute a shopping center. It engaged exclusively in advertising in order to attract customers to the shopping center. It was found that the advertising activity was the performance of particular services for its members, and exemption under section 501(c)(6) was denied.

[REDACTED]

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,

[REDACTED]
District Director

Enclosures:
Form 6018
Publication 892